

CALIFORNIA EMPLOYER

First Quarter 2006

Getting It Right!

*What you need to know about contracting with
Employee Leasing or Temporary Services Agencies*

"Who is the employer?" It is not a simple question when using workers supplied by temporary service agencies or employee leasing agencies (sometimes known as Professional Employer Organizations).

In order for the employee leasing agency or temporary services agency to be the employer and responsible for withholding and paying the payroll taxes, the agency must perform **all** of the following:

- Negotiate with clients for such matters as time, place, type of work, working conditions, quality, and price of the services.
- Determine assignments or reassignments of workers, even though workers retain the right to refuse specific assignments.
- Retain the authority to assign or reassign a worker to other clients when the worker is determined to be unacceptable by a specific client.
- Assign or reassign the worker to perform services for a client.



- Retain the right to hire and terminate workers.
- Pay the worker from the agency's own account or accounts.
- Set the rate of pay of the worker, whether or not through negotiation.

If the agency fails to meet even one of the above criteria, then you (the client) are the employer of the workers and are required to ensure that the withholding and payment of state payroll taxes are reported under your own state account number.

The *Information Sheet: Temporary Services and Employee Leasing Industries* (DE 231F) provides further clarification, as well as information about domestic workers placed by an employment agency and loaned employees. For more information or to obtain the DE 231F, call 1-866-408-6438 or visit: www.edd.ca.gov/taxrep/taxform.htm#Publications.

Tax and Wage Adjustment Form

*What to do, what not to do
when you are completing
your Form 678*

To ensure that your *Tax and Wage Adjustment Form* is processed correctly and promptly, note these important points:

Tips for preparing form

Complete all applicable sections.

Complete Section IV: *State Disability Insurance (SDI) and California Personal Income Tax (PIT) Overpayments*, if you are requesting a credit adjustment to SDI and PIT.

Sign the request for refund or credit.

Request the refund within the statute of limitations (three years of the last timely filing date for the quarter being adjusted).

Do not request a refund of Personal Income Tax (PIT) if you have issued W-2s to your employees with the excess PIT shown on the W-2. Employees will receive the refund of PIT from the Franchise Tax Board when they file their *California Resident Income Tax Form 540*.

When correcting information from a DE 6:

- Use the correct format (For example: 04/4 for December 31, 2004).
- Enter **only** employees whose Social Security numbers, PIT Withholdings or Subject/PIT Wages are being corrected.
- Two entries are required for correcting the Social Security number or employee name. The first entry is how it was originally reported on the DE 6 and the second entry is the correct information.

Common errors to avoid

- Using *Quarterly Adjustment Form* (DE 938) for adjustment.
- Using an amended DE 7 for adjustment.
- Missing and/or inadequate information in the Reason for Adjustment area (Section I).
- Omitting your signature, title, phone number, and date signed.
- Reporting differences or negative amounts instead of the amended wage and withholding amounts.

Follow the *Instructions for Completing the Tax and Wage Adjustment Form* (DE 678-1), which can be accessed at www.edd.ca.gov/taxrep/taxform.htm or call our Taxpayer Assistance Center at (888) 745-3886. For TTY (non verbal) access, call 1-800-547-9565.

Self Employed? Protect yourself with DIEC

If you are self-employed, you can protect yourself against loss of income due to injury or illness with Disability Insurance Elective Coverage (DIEC). This valuable program acts as a safety net for self-employed individuals doing business in California. It offers you:

- Income protection whether or not an injury or illness is work-related.
- A benefit waiting period of only seven days.
- Premium charges that do not discriminate because of age, occupation, or previous health history.
- Up to 39 weeks of benefit payments.
- Benefits for pregnancy-related disabilities.

To qualify, you must apply for DIEC, be approved for coverage and pay quarterly premiums prior to becoming disabled. Generally, a minimum of seven months must elapse before a new member is eligible to receive benefits.

For more information, please contact us at 1-888-745-3886 or visit our Web site: www.edd.ca.gov/direp/difaq9.htm

- To download an application: www.edd.ca.gov/taxrep/de1378di.pdf

EZPAY: Make your payroll tax deposit with credit card

With EZPAY, you can now pay your *Payroll Tax Deposit* (DE 88) with a credit card using a secure Web site, www.officialpayments.com, or a touch-tone telephone by calling 1-800-272-9829.

American Express, MasterCard, Visa and Discover/Novus credit cards are accepted. Official Payments Corporation, the credit card processing vendor, provides a quick, convenient, and safe way to make your deposits for a fee of 2.5% based on the amount of your tax payment. Your deposits are effective on the date of your credit card transaction.

Certain restrictions apply. For more information on this payment option, visit www.edd.ca.gov/taxrep/taxfo.htm#EZPAY or call us at 1-888-745-3886.

Faster DE 1545 Process

Employers now receive the *Notice of Wages Used for Unemployment Insurance (UI) Claim (DE 1545)* following the very **first payment** on a former employee's UI claim.

Employers have 15 days to respond to this notice with any information that may affect the claimant's eligibility for UI benefits. This timely information could prevent subsequent benefit payments being issued until the claimant's eligibility is resolved.

Be a part of our efforts to improve customer service and prevent fraud by responding quickly to these notices. If you have questions about the DE 1545 process, call us at (916) 464-2325.



Occupational Employment Statistics survey goes out in May

The Labor Market Information Division (LMID) of EDD, in cooperation with the U.S. Bureau of Labor Statistics, will send out the next panel of NAICS based semi-annual occupational and wage surveys to more than 17,000 California employers in May.

As always, the success of the survey hinges on timely and accurate reporting by employers. The survey is designed to produce occupational estimates that are seasonally adjusted.

The survey provides valuable information to employers, job seekers, the employment and training community, and economic developers. Occupational Employment Statistics (OES) are used to develop occupational trends by industry, evaluate the impact of technology on occupations, and measure the changing employment composition of industries.

Semi-annual collection and faster processing will provide our customers with more timely data. Estimates from the May 2006 survey will be available in January 2007. Estimates will be made for over 850 occupations by geographic area and by industries.

If you are one of the employers selected to participate, and you have questions, or if you want to be included on the OES customer mailing list, call the OES toll-free line at 1-800-826-4896 or fax your request to (916) 262-2950.

You can find the most current California OES Employment and Wages at <http://www.labormarketinfo.edd.ca.gov>

'... the success of the survey hinges on timely and accurate reporting by employers.'

UI seminar for School Employers to be held in April

The annual Unemployment Insurance Seminar for School Employers will be held April 6-7 at the Hyatt Regency Suites in Palm Springs.

Sponsored by the School Employer Advisory Committee and cosponsored by EDD, the seminar includes presentations on:

- "Nuts and bolts" of Unemployment Insurance.

- Claim procedures (eligibility, protests, and forms).
- Employee separations (discharge and quit).
- Current California legislation.
- Reasonable assurance (legal requirements and definition).
- Appeal hearing preparations.

- Mock hearings with Administrative Law Judges.

- Status of the School Employees Fund.

To receive a registration packet, call the Fund at (916) 653-5380.

Help fight Unemployment fraud

The Employment Development Department (EDD) is committed to maintaining the integrity of the Unemployment Insurance (UI) program, and is taking every possible step to detect and prevent fraud.

As part of our fraud prevention efforts, we are implementing additional security measures to help ensure that you receive notification about Unemployment Insurance claims filed. Beginning in spring 2006, you will receive the notice at your address of record with EDD.

You can help us fight fraud by paying special attention to the *Notice of Unemployment Insurance Claim Filed* (DE 1101CZ), which is sent to you when an

individual files a claim and you are his or her last employer.

When you receive this notice, please remember to:

- Complete and return all of the information within 10 days of the mail date shown on the notice.
- Identify discrepancies in employee names and Social Security Numbers.

Help EDD fight fraud. If you think someone is committing fraud against one of EDD's programs, please let us know about it.

To report fraud, call 1-800-229-6297 or complete a "Fraud Reporting Form" online at www.edd.ca.gov.

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